GOVERNMENT OF INDIA
DISINVESTMENT
LOK SABHA

STARRED QUESTION NO:228
ANSWERED ON:19.03.2002
DISINVESTMENT OF PARADEEP PHOSPHATES LTD.
GADDE RAMAMOHAN;NAWAL KISHORE RAI

Will the Minister of DISINVESTMENT be pleased to state:

(a) whether the Government have sold out 74% of Government stake in Paradeep Phosphates Ltd. to Zuari Maroc Phosphates Pvt. Ltd. below the reserve price recommended by the Global advisers;

(b) if so, the details thereof and the reasons therefor;

(c) the details of the assets and capital investment in the Paradeep Phosphates Ltd.;

(d) whether any agreement has been signed with regard to the fate of workers, payment of their wage, their other statutory arrears and the liabilities of the company; and

(e) if so, the details thereof?

Answer

MINISTER OF DISINVESTMENT AND MINISTER OF DEVELOPMENT OF NORTHEASTERN REGION (SHRI ARUN SHOURIE)

(a) to (e) A Statement is laid on the table of the House.

STATEMENT REFERRED TO IN REPLY TO PART (a) TO (e) OF THE LOK SABHA STARRED QUESTION NO. 228 ANSWER ON 19/3/2002:

(a) to (c): For the sale of 74% of Government`s stake in Paradeep Phosphates Limited , the Advisors recommended the reserve price by giving weightage to valuations obtained by Discounted Cash Flow(DCF) and Replacement Based Asset Value. This was a deviation from the usual practice of setting the reserve price on the basis of DCF valuation alone and did not conform to the guidelines of the Ministry on the subject.

PPL has been incurring losses since inception.There had been two financial restructurings previously in March 1994 and March 2000, yet the company continued to incur losses. As of 31st March 2001, the net worth of the company was barely Rs. 1.15 crore that too after third financial restructuring effective from 31/3/01. The outstanding liabilities of PPL as on 31/3/01 amounted to Rs. 856.34 crore. In addition there was an outstanding Government of India`s loan of about Rs. 200 crore. In 2001-02, the average net loss of PPL has been about Rs.10-12 crore every month. Taking into account the recommendations of the Inter Ministerial Group / Core Group of Secretaries on Disinvestment and other relevant factors, the Government decided to accept the bid of Rs. 151.70 crore.This was well above the DCF valuation but was marginally below the reserve price recommended by the Advisors.

As on 31st March 2001 the Net Fixed Assets of the company were Rs. 303.08 crore and Capital Investment was Rs. 670.69 crore. Because of heavy losses that were being incurred every month, by 31st March 2002, the net worth of the company would have fallen to around minus Rs. 120 crore.

(d) & (e): The Shareholders` agreement provides that the strategic partnershall cause the Company to honour all the outstanding contracts and commitments and ensure timely payment of all the existing debts and / or liabilities of the Company outstanding as on the Closing Date. In addition, the agreement provides for specific clauses for protection of the interest of the employees, which are indicated in the Annexure. The successful bidder has committed in writing that it would, within 30 days of becoming a strategic partner, implement the pending wage/pay revision prospectively and further that discussion regarding payment of arrears would be initiated immediately and modalities of payment of arrears finalised within 90 days.
ANNEXURE

ANNEXURE REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO. 228 FOR 19/3/2002 REGAF DISINVESTMENT OF PARADEEP PHOSPHATES LIMITED.

EXTRACTS FROM THE SHAREHOLDERS` AGREEMENT

Recitals

F. The Parties have agreed that all Employees (defined hereinafter) of the Company on the date hereof will continue in the employment of the Company.

G. The Strategic Partner recognizes that Government in relation to its employment policies follows certain principles for the benefit of the members of the Schedule Caste, Schedule Tribes, Physically handicapped persons and other socially disadvantaged categories of the society. The Strategic Partner shall use its best efforts to cause the Company to provide adequate job opportunities for such persons. Further, in the event of any reduction in the strength of the employees of the Company, the Strategic Partner shall use its best efforts to ensure that the physically handicapped persons are retrenched at the end.

Articles:

Article 4.4 Approval of Matters

(a) Notwithstanding any other provisions of this Agreement or in the Articles of Association or otherwise permitted under the Act, no obligation of the Company or any of its subsidiaries shall be entered into, no decision or the determination shall be made and no action shall be taken by or with respect to the Company or any of its subsidiaries in relation to the matters identified in Schedule I, unless such obligation, decision or action, as the case may be, is approved;

(i) If at any meeting of the Company`s shareholders duly called for the purpose of considering such obligation, decision or action, then subject to the provisions of sub-clause 4.8 (e), by the affirmative vote of the Government cast at such meeting;

(ii) If at any meeting of the Board, then subject to the provisions of sub-clause 4.3(f) by the affirmative vote of at least one nominee director of the Government (or, in the case of Board resolutions by circulation by the approval to such resolution in writing by at least one nominee director of the Government).

SCHEDULE I

Matters Requiring Special Consent

(XXV) For 5 (five) calendar years after the Closing Date, any adverse change in the pay scales or in the pension or retirement benefits to Employees of the Company as of the Closing Date from the pay scales or pension or retirement benefits available to such Employees as of the Closing Date.

Article 5.6 Sale of Equity Shares to the Employees of the Company

Notwithstanding anything to the contrary contained in Clauses 5.1 (b) and 5.3, Government shall at its sole discretion at any time after the lapse of 6 (six) months from the Closing Date, have the option of selling from its shareholding, Equity Shares representing not more than 5% (five percent) of the Restructured Equity Share Capital of the Company, to the Employees of the Company in the manner as decided by the Board. In the event that Government exercises its option to sell part of the Equity Shares held by it to the Employees, the Employees shall be issued fresh share certificates for the Equity Shares transferred to the Employees if such Equity Shares are not held in a dematerialized form. The Parties agree that upon the completion of transfer, the Equity Shares transferred to the Employees pursuant to this Clause 5.6 shall not be subject to any restrictions in this Agreement, whether by way of a voting arrangement or a right of first refusal.

7.2 Principal(s) and Strategic Partner`s Representations, Warranties and Covenants

Article 7.2 (e) Each of the Strategic Partner and the Principal (s) shall not retrench any Employees of the Company for a period of 1 (one) year from the Closing Date other than any dismissal or termination of Employees of the Company from their employment in accordance with the applicable staff regulations, standing orders of the Company and applicable Law; provided however, that after the aforesaid period of 1 (one) year no retrenchment of an Employee shall be undertaken unless the affected Employee is given benefits that are equal to or exceed the Maximum Benefit;

(f) Subject to sub-clause (e) above any restructuring (including any reduction) of the employee force of the Company shall be implemented in the manner recommended by the Board and in accordance with applicable Laws and the Strategic Partner and Principal (s) shall ensure that the Company offers to the Employees, an option to voluntarily retire on terms that are not, in any manner less favourable than Maximum Benefit;

Maximum Benefit defined in Article 1.1 reads as `Maximum Benefit shall mean employee benefits which are the higher of (a) the terms of the voluntary retirement scheme as provided by the Department of Public Enterprises (Government of India) guidelines and applicable to the Company on the Closing Date or (b) the terms of the voluntary retirement scheme as applicable to the Company on the Closing Date.